

Jonesfield Township
Saginaw County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2008

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Jonesfield Township
List of Elected and Appointed Officials
March 31, 2008

Township Board

Larry Fleming – Supervisor

Mildred Parker – Treasurer

Rochelle Siler – Clerk

Donald Aulbert – Trustee

Emory Emery – Trustee



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Independent Auditors' Report

To the Township Board
Jonesfield Township
Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Jonesfield Township as of and for the year ended March 31, 2008 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jonesfield Township as of March 31, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008 on our consideration of Jonesfield Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jonesfield Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

June 24, 2008
Saginaw, Michigan

Jonesfield Township
Statement of Net Assets
March 31, 2008

	<u>Primary Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 683,255
Receivables	
Taxes	43,159
Special assessments	91,979
Accrued interest and other	2,121
Due from other units of government	14,986
Special assessments receivable, deferred	2,978,068
Capital assets not being depreciated	4,000
Capital assets, net of accumulated depreciation	<u>87,432</u>
Total assets	<u>3,905,000</u>
Liabilities	
Accounts payable	43,896
Accrued and other liabilities	2,742
Due to other units of government	3,479,807
Noncurrent liabilities	
Due within one year	15,000
Due in more than one year	<u>120,000</u>
Total liabilities	<u>3,661,445</u>
Net assets	
Invested in capital assets, net of related debt	(43,568)
Restricted for:	
Debt service	107,902
Building construction	1,034
Unrestricted	<u>178,187</u>
Total net assets	<u><u>\$ 243,555</u></u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Statement of Activities
For the Year Ended March 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating	Capital	Primary
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 89,216	\$ 13,350	\$ -	\$ -	\$ (75,866)
Public safety	242,117	83,490	22,313	-	(136,314)
Public works	111,515	41,699	5,008	-	(64,808)
Health and welfare	288	-	-	-	(288)
Community and economic development	3,729	-	-	-	(3,729)
Recreation and culture	26,078	-	-	-	(26,078)
Interest on long-term debt	158,953	-	-	-	(158,953)
Total governmental activities	<u>\$ 631,896</u>	<u>\$ 138,539</u>	<u>\$ 27,321</u>	<u>\$ -</u>	<u>(466,036)</u>
General revenues					
Property taxes					196,044
State shared revenue					68,468
Unrestricted investment earnings					207,120
Miscellaneous					<u>12,814</u>
Total general revenues					<u>484,446</u>
Change in net assets					18,410
Net assets - beginning of year					<u>225,145</u>
Net assets - end of year					<u><u>\$ 243,555</u></u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Governmental Funds
Balance Sheet
March 31, 2008

	<u>Special Revenue Funds</u>				
	<u>General</u>	<u>Police Fund</u>	<u>Trash and Recycling Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 97,881	\$ 41,700	\$ 57,579	\$ 486,095	\$ 683,255
Receivables					
Taxes	13,768	-	-	29,391	43,159
Special assessments	-	8,659	2,695	3,058,693	3,070,047
Accrued interest and other	-	-	111	2,010	2,121
Due from other units of government	14,986	-	-	-	14,986
Due from other funds	-	-	-	1,713	1,713
Total assets	<u>\$ 126,635</u>	<u>\$ 50,359</u>	<u>\$ 60,385</u>	<u>\$ 3,577,902</u>	<u>\$ 3,815,281</u>
Liabilities					
Accounts payable	\$ 18,601	\$ 20,170	\$ 5,125	\$ -	\$ 43,896
Due to other funds	1,713	-	-	-	1,713
Due to other units of government	9,807	-	-	3,470,000	3,479,807
Deferred revenue	5,165	-	-	-	5,165
Total liabilities	<u>35,286</u>	<u>20,170</u>	<u>5,125</u>	<u>3,470,000</u>	<u>3,530,581</u>
Fund balances					
Reserved for:					
Debt service	-	-	-	107,902	107,902
Building construction	1,034	-	-	-	1,034
Unreserved, reported in:					
General fund	90,315	-	-	-	90,315
Special revenue funds	-	30,189	55,260	-	85,449
Total fund balances	<u>91,349</u>	<u>30,189</u>	<u>55,260</u>	<u>107,902</u>	<u>284,700</u>
Total liabilities and fund balances	<u>\$ 126,635</u>	<u>\$ 50,359</u>	<u>\$ 60,385</u>	<u>\$ 3,577,902</u>	<u>\$ 3,815,281</u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2008

Total fund balances for governmental funds	\$ 284,700
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	91,432
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	5,165
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(2,742)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(135,000)</u>
Net assets of governmental activities	<u><u>\$ 243,555</u></u>

Jonesfield Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2008

	Special Revenue Funds				Total
	General	Police Fund	Trash and Recycling Fund	Debt Service Fund	Governmental Funds
Revenues					
Taxes	\$ 196,044	\$ -	\$ -	\$ -	\$ 196,044
Licenses and permits	5,884	-	-	-	5,884
State revenue sharing	63,453	-	-	-	63,453
Other state grants	5,008	-	-	-	5,008
Local contributions	22,313	-	-	-	22,313
Charges for services	-	-	35,815	-	35,815
Interest income	4,503	1,006	1,644	199,967	207,120
Rental income	13,200	-	-	-	13,200
Other revenue	12,814	83,490	-	-	96,304
Total revenues	<u>323,219</u>	<u>84,496</u>	<u>37,459</u>	<u>199,967</u>	<u>645,141</u>
Expenditures					
Current					
General government	82,961	-	-	-	82,961
Public safety	117,312	96,318	-	-	213,630
Public works	76,623	-	31,852	-	108,475
Health and Welfare	288	-	-	-	288
Community and economic development	3,729	-	-	-	3,729
Recreation and culture	26,078	-	-	-	26,078
Other functions	11,352	-	-	-	11,352
Capital outlay	8,556	-	-	-	8,556
Debt service					
Principal retirement	15,000	-	-	-	15,000
Interest and fiscal charges	7,313	-	-	151,948	159,261
Total expenditures	<u>349,212</u>	<u>96,318</u>	<u>31,852</u>	<u>151,948</u>	<u>629,330</u>
Excess (deficiency) of revenues over expenditures	<u>(25,993)</u>	<u>(11,822)</u>	<u>5,607</u>	<u>48,019</u>	<u>15,811</u>
Other financing sources (uses)					
Transfers in	-	-	-	1,713	1,713
Transfers out	(1,713)	-	-	-	(1,713)
Total other financing sources and uses	<u>(1,713)</u>	<u>-</u>	<u>-</u>	<u>1,713</u>	<u>-</u>
Net change in fund balance	(27,706)	(11,822)	5,607	49,732	15,811
Fund balance - beginning of year	119,055	42,011	49,653	58,170	268,889
Fund balance - end of year	<u>\$ 91,349</u>	<u>\$ 30,189</u>	<u>\$ 55,260</u>	<u>\$ 107,902</u>	<u>\$ 284,700</u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balances - Total governmental funds \$ 15,811

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(24,559)
Capital outlay	6,685

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

State shared revenue	5,015
Other revenue	150

Expenses are recorded when incurred in the statement of activities

Accrued interest	308
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>15,000</u>
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Change in net assets of governmental activities \$ 18,410

Jonesfield Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Jonesfield Township became a Township in 1882 and is located in Saginaw County. The Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of*

accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Jonesfield Township
Notes to Financial Statements
March 31, 2008

The Police Fund accounts for the revenue and expenditures for the government's police operations.

The Trash and Recycling Fund provides services for residents relating to trash pickup and recycling activities. Revenues for this program come from special assessments on the tax roll from the Township's residents.

The Debt Service Fund accounts for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

Additionally, the government reports the following:

Trust and Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals. The balance was zero at year end.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$41,922,069 on which ad valorem taxes consisted of 0.9229 mills for operating purposes. This resulted in \$38,684 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Jonesfield Township
Notes to Financial Statements
March 31, 2008

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available

for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Jonesfield Township
Notes to Financial Statements
March 31, 2008

Excess of Expenditures over Appropriations

The Township incurred expenditures in excess of budget in the General Fund and Police Fund. Excess expenditures in these funds occurred in the following areas:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Public works	\$ 54,500	\$ 76,623	\$ 22,123
Community and economic development	2,320	3,729	1,409
Debt service	-	22,313	22,313
Transfers out	-	1,713	1,713
Police Fund			
Public safety	93,200	96,318	3,118

Note 3 - Deposits and Investments

At year end the government's deposits of \$683,255 were all classified as cash and cash equivalents.

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The

investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$723,574 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables and Deferred Revenue

The only receivables not expected to be collected within one year are as follows:

	<u>Due After One Year</u>	<u>Fund</u>
Primary government		
Special assessments	\$ <u>2,978,068</u>	Debt Service Fund

Governmental Funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Primary government		
State shared revenue	\$ 5,015	\$ -
Other revenue	<u>150</u>	<u>-</u>
	\$ <u>5,165</u>	\$ <u>-</u>

Jonesfield Township
Notes to Financial Statements
March 31, 2008

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets being depreciated				
Land improvements	10,368	-	-	10,368
Buildings, additions and improvements	422,016	-	-	422,016
Machinery and equipment	9,012	6,685	-	15,697
Vehicles	225,000	-	-	225,000
Total capital assets being depreciated	666,396	6,685	-	673,081
Less accumulated depreciation for				
Land improvements	798	532	-	1,330
Buildings, additions and improvements	420,051	305	-	420,356
Machinery and equipment	5,241	1,222	-	6,463
Vehicles	135,000	22,500	-	157,500
Total accumulated depreciation	561,090	24,559	-	585,649
Net capital assets being depreciated	105,306	(17,874)	-	87,432
Governmental activities capital assets, net	\$ 109,306	\$ (17,874)	\$ -	\$ 91,432

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 2,059
Public safety	22,500
Total governmental activities	<u>\$ 24,559</u>

Note 6 - Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	<u>\$ 1,713</u>

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Debt Service Fund	<u>\$ 1,713</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Jonesfield Township
Notes to Financial Statements
March 31, 2008

Note 7 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
Installment purchase agreements									
Fire Truck Loan	\$ 225,000	5/1/2016	4.875%	\$ 15,000	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 135,000</u>	<u>\$ 15,000</u>

Jonesfield Township

Notes to Financial Statements

March 31, 2008

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities	
	Principal	Interest
2009	\$ 15,000	\$ 6,582
2010	15,000	5,850
2011	15,000	5,119
2012	15,000	4,388
2013	15,000	3,656
2014-2017	60,000	7,313
	<u>\$ 135,000</u>	<u>\$ 32,908</u>

Note 8 - Related Party

Jonesfield Township has an intergovernmental service agreement with the Jonesfield - Lakefield Fire District and the Merrill District Library. The Township levies and collects property taxes on behalf of the Fire District and the Library. Those are included in the revenues and expenditures of the Township.

Note 9 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Employee Retirement and Benefit Systems

Jonesfield Township contributes to the Township of Jonesfield Group

Pension Plan, which is a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by an employee and Township vest 100% upon completion of 20 months of employment. An employee who leaves employment of the Township is entitled to contributions made plus any interest earned. All elected officials of the Township are eligible to participate. Annual contributions are calculated based on a compensation class scale using each participant's annual compensation. The Township is required to pay 75% of the cost of the annual contribution, while each participant is required to contribute the remaining 25% of the contribution.

During the year the Township's required and actual contributions amounted to \$ 1,300. The employees' required and actual contributions were \$ 433 for the year.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The Plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Jonesfield Township
Notes to Financial Statements
March 31, 2008

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 180,450	\$ 180,450	\$ 174,046	\$ (6,404)
Penalties and interest	4,000	4,000	3,528	(472)
Administration fee	16,700	16,700	18,470	1,770
Licenses and permits	5,600	5,600	5,884	284
State revenue sharing	64,000	64,000	63,453	(547)
State grants	5,025	5,025	5,008	(17)
Local contributions	-	-	22,313	22,313
Interest income	3,200	3,200	4,503	1,303
Rental income	16,000	16,000	13,200	(2,800)
Other revenue	12,190	12,190	12,814	624
Total revenues	<u>307,165</u>	<u>307,165</u>	<u>323,219</u>	<u>16,054</u>
Expenditures				
General government				
Township board	4,800	4,800	2,637	(2,163)
Supervisor	16,000	16,000	15,866	(134)
Clerk	15,900	15,900	17,042	1,142
Board of review	900	900	900	-
Treasurer	13,800	13,800	12,187	(1,613)
Assessor	6,110	6,110	7,201	1,091
Elections	3,550	3,550	1,121	(2,429)
Buildings and grounds	24,492	24,492	22,457	(2,035)
Attorney	-	-	3,550	3,550
Total general government	<u>85,552</u>	<u>85,552</u>	<u>82,961</u>	<u>(2,591)</u>
Public safety				
Police	24,000	24,000	1,686	(22,314)
Liquor law enforcement	3,200	3,200	2,800	(400)
Fire department	105,000	105,000	107,830	2,830
Building inspection department	5,000	5,000	4,996	(4)
Total public safety	<u>137,200</u>	<u>137,200</u>	<u>117,312</u>	<u>(19,888)</u>

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Drains	\$ 4,500	\$ 4,500	\$ 5,132	\$ 632
Highways, streets and bridges	50,000	50,000	71,491	21,491
Total public works	54,500	54,500	76,623	22,123
Health and welfare				
Ambulance	305	305	288	(17)
Community and economic development				
Planning	2,320	2,320	3,729	1,409
Recreation and culture				
Parks and recreation	4,500	4,500	-	(4,500)
Library	24,208	24,208	26,078	1,870
Total recreation and culture	28,708	28,708	26,078	(2,630)
Other functions				
Insurance and bonds	6,000	6,000	6,017	17
Unallocated employee fringe benefits	6,000	6,000	5,335	(665)
Total other functions	12,000	12,000	11,352	(648)
Capital outlay	17,000	17,000	8,556	(8,444)
Debt service				
Principal retirement	-	-	15,000	15,000
Interest and fiscal charges	-	-	7,313	7,313
Total debt service	-	-	22,313	22,313
Transfers out	-	-	1,713	1,713
Total expenditures	337,585	337,585	350,925	13,340
Excess (deficiency) of revenues over expenditures	(30,420)	(30,420)	(27,706)	2,714
Fund balance - beginning of year	119,055	119,055	119,055	-
Fund balance - end of year	\$ 88,635	\$ 88,635	\$ 91,349	\$ 2,714

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 700	\$ 700	\$ 1,006	\$ 306
Other revenue	72,500	72,500	83,490	10,990
Transfers in	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>(24,000)</u>
Total revenues	<u>97,200</u>	<u>97,200</u>	<u>84,496</u>	<u>(12,704)</u>
Expenditures				
Current				
Public safety	<u>93,200</u>	<u>93,200</u>	<u>96,318</u>	<u>3,118</u>
Excess (deficiency) of revenues over expenditures	4,000	4,000	(11,822)	(15,822)
Fund balance - beginning of year	<u>42,011</u>	<u>42,011</u>	<u>42,011</u>	<u>-</u>
Fund balance - end of year	<u>\$ 46,011</u>	<u>\$ 46,011</u>	<u>\$ 30,189</u>	<u>\$ (15,822)</u>

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
Trash and Recycling Fund
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 35,600	\$ 35,600	\$ 35,815	\$ 215
Interest income	<u>1,400</u>	<u>1,400</u>	<u>1,644</u>	<u>244</u>
Total revenues	<u>37,000</u>	<u>37,000</u>	<u>37,459</u>	<u>459</u>
Expenditures				
Current				
Public works	<u>33,500</u>	<u>33,500</u>	<u>31,852</u>	<u>(1,648)</u>
Excess of revenues over expenditures	3,500	3,500	5,607	2,107
Fund balance - beginning of year	<u>49,653</u>	<u>49,653</u>	<u>49,653</u>	<u>-</u>
Fund balance - end of year	<u>\$ 53,153</u>	<u>\$ 53,153</u>	<u>\$ 55,260</u>	<u>\$ 2,107</u>

Jonesfield Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Governmental Activities	4.875%	2009	\$ 15,000	\$ 3,291	\$ 3,291	\$ 21,582
Fire Truck Loan	4.875%	2010	15,000	2,925	2,925	20,850
Amount of issue - \$225,000	4.875%	2011	15,000	2,559	2,560	20,119
	4.875%	2012	15,000	2,194	2,194	19,388
	4.875%	2013	15,000	1,828	1,828	18,656
	4.875%	2014	15,000	1,463	1,463	17,926
	4.875%	2015	15,000	1,097	1,097	17,194
	4.875%	2016	15,000	731	731	16,462
	4.875%	2017	15,000	-	731	15,731
			<u>\$ 135,000</u>	<u>\$ 16,088</u>	<u>\$ 16,820</u>	<u>\$ 167,908</u>



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Township Board
Jonesfield Township
Merrill, Michigan

We have audited the financial statements of the governmental activities and each major fund of Jonesfield Township as of and for the year ended March 31, 2008, which collectively comprise Jonesfield Township's basic financial statements and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Jonesfield Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jonesfield Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jonesfield Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Jonesfield Township's financial statements that is more than inconsequential will not be prevented or detected by Jonesfield Township's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

QuickBooks Accounting Software

We noted that the Township uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Township's accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it is in effect deleting the check as of the date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

We recommend that the Township seriously consider the costs and benefits of QuickBooks software as compared to the Organization's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. We are neither recommending for nor against continuing to use QuickBooks as the Organization's accounting software, we are simply recommending that the decision made by Management and those charged with governance be a fully informed decision.

Segregation of Duties

We are sensitive to the fact that the Township is a small organization; however we are required to tell you under auditing standards that the Township has a control deficiency related to the segregation of duties. Even within very small Township's there is the ability to gain some amount of segregation of duties. We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the Organization. These procedures will help prevent human errors as well as being a deterrent to fraud. We recommend a person who has not reconciled the bank account review the bank reconciliation and initial it each month. In addition, we recommend all journal entries be reviewed and initialed showing approval on a routine basis from someone outside this function. If you would like further information on how to segregate duties as they specifically relate to the Township's situation, we would be happy to provide you with additional information and consultation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by Jonesfield Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonesfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Jonesfield Township in a separate letter dated June 24, 2008.

This report is intended solely for the information and use of management, the Township Board and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

June 24, 2008

Saginaw, Michigan



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

June 24, 2008

Management and the Township Board
Jonesfield Township
21420 O'Hara Road
Merrill, MI 48637

We have completed our audit of the financial statements of Jonesfield Township as of and for the year ended March 31, 2008 and have issued our report dated June 24, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditor's Communication of Significant Matters with Those Charged with Governance

II Management Comments

We have discussed these matters with various personnel in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix 1
Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated February 25, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on February 25, 2008.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit - *None*

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be

significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Please read all information included in that report to ensure you are aware of relevant information.

Appendix 2

Management Comments

In planning and performing our audit of the financial statements of Jonesfield Township as of and for the year ended March 31, 2008, we considered Jonesfield Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of one matter that is an opportunity for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date June 24, 2008, on the financial statements of Jonesfield Township. Our comment and recommendation regarding this matter is as follows:

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.